Money-Changing is a well-executed and entirely praiseworthy effort to give the exchanges a popular and not over-lengthy explanation, it seems to the reviewer its claims to the first attention of the student are not quite so good as those of the books of Clare and Escher. It is, however, assuredly a welcome member to the family of exchange "elements." Mr. Anthony Margraff's *International Exchange* contains much more information on banking forms and procedure than any of the three books mentioned, but is distinctly inferior to any one of them in its exposition of the exchanges as a general system and in its style.

The reviewer does not find matters of consequence in *Money-Changing* which call for extended criticism. A classification of monetary systems is offered which makes the English the only true-blue and copper-riveted gold standard. The next best are "so-called gold standards" under which credit is convertible into gold only part of the time and then when the great banks permit it (p. 13). It is affirmed a number of times with emphasis that London possesses the only real free market for gold (as on pp. 37-9 and 171-4). Stress is also laid on the fact neglected by "theoretical students" that because banks often ship gold without regard to the immediate factors of costs and profits the exchanges may readily go beyond the gold point, when they are favorable to London, without causing shipment of specie to that center; and may occasion export of specie from London before they reach the opposite gold point, when they are unfavorable to London. There is an able and interesting discussion of finance bills and of the influences which impose limits upon their creation.

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Indian Currency and Finance. By John Maynard Keynes. (London: Macmillan and Company. 1913. Pp. vii, 259. 6s.)

The appearance of this book is of unusual interest and importance, not only because of the author's detailed knowledge of Indian finance, but also because it sets forth the views of one who has recently been offered a seat on the Royal Commission (1913) on Indian Finance and Currency. The author first endeavors to dispel the illusion that the use of gold as a medium of exchange is a necessary complement of a gold standard. Attention is called to the growing tendency of European state banks to hold large portions of their resources abroad in foreign bills and credits, which

can be utilized for the purpose of making foreign payments, whenever a drain upon their gold supply is threatened. The gold-exchange standard is only a perfected form of the system toward which gold standard currencies have been evolving, and as such the Indian system is not an anomaly, but represents an advance stage of monetary progress. The increased circulation of gold in India would be open to objection on three counts. First, it would involve the substitution of relatively dear gold coins for overvalued silver rupees. Second, since rupees must continue to circulate widely, the scattering of the gold resources over the country, instead of their concentration in the reserves, would weaken rather than strengthen the government's power to maintain a parity of the rupee with gold in a period of falling exchange. In the third place, the tendency for gold to supplant currency notes would be increased, causing a decentralization of the reserves and a decrease in the circulation of the only element by which India can hope to secure the necessary degree of elasticity in its currency system. The author next endeavors to disprove the oft-made assertion that the volume of the Indian currency depends upon the amount of council bills which the India Office may choose to offer for sale. "Exceptional amounts of Council Bills are only sold when exchange has reached a point at which it is nearly as profitable to remit gold," while if the tender of bills is small relative to the demand, gold is exported to India.

If the foregoing views command assent, their acceptance must involve the conclusion that a policy should be adopted according to which shipments of gold to India would be discouraged. Such a result could be obtained by the issuance of a notification by the Secretary of State, declaring his willingness to sell council bills in unlimited amounts at a rate within the gold point—say, 1s. 4-1/16d. For the purpose of supporting exchange, as well as for purchasing silver for coinage, gold is as useful in London as in India; hence, the bringing of gold to India and then shipping it back to England involves a sheer economic loss. Notwithstanding Keynes' conclusion that a portion of the Indian supply of gold can be got at by the London market, whether it is "held in London or in India, by perfectly legitimate means," he suggests that, in order to relieve the suspicion which is attached to the holding of the government's gold resources in London, it might be desirable as a compromise measure to hold the gold in the currency reserve in India. Is not this an unnecessary concession

to prejudice? Any system wherein gold does not circulate freely in India is bound to meet with much ill-founded criticism in any case, and the government's intention to afford all legitimate relief to the Indian market can be displayed in some such manner as the author himself suggests in chapter 8. And the government's final answer to its critics must be the efficiency of its system in preventing wide fluctuations in exchange. If a further notification should be issued, according to which sterling drafts on London could at all times be obtained at a rate of 1s. 3-29/32d. per rupee, the limits within which exchange could fluctuate would be defined by a clear-cut governmental guarantee. Would not such a course be efficacious in disproving the widely prevalent belief that the rates of Indian exchange are in large measure regulated by governmental action? Hence, the reviewer believes that the reasons for perfecting the machinery of the exchange standard outweigh decidedly any which may be advanced in favor of sacrificing efficiency and economy to political expediency.

The author looks upon the high rate of bank discount prevailing in India in the busy seasons as due largely to the fact that the volume of the currency can be temporarily increased only by securing funds from abroad. As corrective measures he urges: first, a change in the composition of the investment portion of the paper currency reserve; and, second, the institution of suitable machinery for utilizing the funds in the cash balances and the currency reserve, in order that means may be found for affording relief to the Indian money market in periods of heavy pressure. Little aid, however, could ordinarily be obtained from the cash balances; hence the desirability that they should be held as largely as possible in the form of notes, in order that the capacity of the paper currency reserve may be increased. It is in the more extensive use of paper, rather than of gold, that the Indian currency system may best adapt itself to the particular financial needs of the country.

This conclusion, which is the author's main theme, is established in a convincing manner. The book, unfortunately, was published without the inclusion of several projected chapters, but as it is, it is a valuable contribution to a subject concerning which we may shortly hear of further developments.

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